



**Internationalization motives and facilitating factors:
The Case of Parfois in Spain**

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Short Biographic Note

Giovanni Lavra was born on the 6th of May 1989 in Muravera (Sardinia, Italy). He has a Bachelor in Management by the Faculty of Economics and Management, University of Cagliari, since 2012. He had the opportunity to be part of an Erasmus mobility program at the Universidad Vest Timisoara, Romania, for 6 months.

In 2013 he moved to Oporto to hug a new experience: study at School of Economics and Management, University of Porto, Master in Management. Between March of 2014 and June of 2015, he conducted a Product Manager Trainee program at Parfois. His investigation is presented in the current internship report.

At the moment, he is working in Uniplaces, one of the best Portuguese start-up, as a Key Account Manager for Portuguese and Italian markets.

Abstract

The internationalization process may be a critical and important moment for a company during its economic life cycle. In order to survive and to not be smashed by the global and highly competitive market it is fundamental to be aware and play, as better as possible, all the moves within the selection and entrance in a market. Parfois, a Portuguese fashion retail company, being aware of this fact, proposed an internship project to Faculty of Economic in order to examine the different motives and the facilitating factors which influence the choice of having entered into the Spanish market.

This work has two main aims. Firstly we want to analyse the core internationalization issues, which are the previous considerations firms should make before deciding to enter in a foreign market and which are the most relevant factors that affect the progress of the final decision. Secondly we intent to explore the case of Parfois in its entrance into the Spanish market.

It is important to ponder and reflect about why it is crucial to make the correct choice and which are the threats and opportunities that can originate from the firms' internationalization. The *where* and *how* questions to enter in different markets are also essential to state in order to better decide about the internationalization.

This research can be significant and interesting to different parties: the company, the student and the university. For the company it is an opportunity to deepen the study of a vital issue – internationalization – and make a diagnosis of its situation, using the knowledge of the University. For the student, it may help to easily finding new jobs and to put the theory into practice. For the University, the connections with the real arena may show that the knowledge is important to help solving companies' problems and challenges. Moreover, this study is relevant as the fashion industry contributes to the economic development of Portuguese market.

Through the use of the case study methodology – the most suitable for our purposes – we found out that the motives and facilitating factors which were important for the expansion into Spain are respectively the opportunity to rely on a solid availability of liquidity and the pro-active and entrepreneurial mind-set of the management together with the effectiveness of the networks and business contacts existing in the target country.

Mistakes and different entry modes were analysed in order to deeply understand how the company can improve its future moves in the next years as many countries are still available as possible target for expansion.

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1. Introduction

Small and Medium Enterprises (SMEs) are important figures and, especially in European's economies, they play a key role in job creation and GDP (European Commission, 2013). A way to face the higher competition and the current economic situation, inducing companies to grow faster, improve competitiveness and firm lifetime, can be the internationalization process (European Commission, 2013).

It is crucial to realise that SMEs differ from large enterprises. The first ones are more flexible and can easier adapt to changes in environment than bigger companies (Gunasekaran *et al.*, 2011). It is also true that SMEs are weaker in terms of financial or human resources, and need to face many barriers for the internationalization process actuation.

It is also crucial to understand which are the most valuable motives that allow companies to trust in its products or services at first, and then to commercialize them outside the domestic market.

Apart the analysis of the fundamental motives pushing a company into overseas market, this research wants also to underline the factors which facilitate and make the process more accessible for companies, especially for SMEs.

By exploring the case of Parfois, this study wants to answer to two important research questions:

- **What** are the motives that stimulate Parfois' internationalization to Spain?
- **How** the facilitating factors support Parfois' decisions to internationalize?

It is widely recognized that university-industry interactions represent an important driver for innovation and technology development (Cohen *et al.*, 2002). In fact, universities and firms collaborate for different motives: on one side, universities can achieve more sources of funding and new inputs for knowledge production and diffusion; on the other side firms interact with universities to identify potential employees and access sources of knowledge, which can lead to important industrial applications (Hanel and St-Pierre, 2006).

There are other several benefits from academy-industry interactions attested by several research papers: from the firms perspective, around 10% of new products in American industry between 1980s and 1990s could not have happened without academic research (Mansfield, 1991). According to Hanel and St-Pierre (2006), academy also gets benefits, such as a new perspectives to approach industry problems.

For analysing the Parfois' internationalization it will be used a qualitative approach to comment the firm's decisions by adopting interviews to senior personnel and analysing several internal reports and other relevant data to deeply understand the company's products, its strategy and main goals. It will be done with the aim of discovering which are the strongest firm assets that can be developed, in order to make easier and successful the internationalization process.

This study is structured into five main parts: subsequently this introduction, Chapter 2 approaches to the theoretical framework of internationalization, which is conducted by a literature review about the different types of internationalization's processes, the motivations and facilitating factors pushing companies to expansion, and the respective barriers; the main entry modes of a company in a foreign market and the respective advantages and disadvantages; the market selection, and also a brief review of similar studies which supports the present case study. Next, in Chapter 3, the methodological considerations will be presented, especially the case study method. The analysis of the company and its internationalization process will be discussed in Chapter 4 where it is analysed the current situation of the firm and, the development of the process of internationalization that Parfois is following. This report finishes with the Conclusion.

2. Literature Review

In this chapter, a literature review is made, presenting the definitions and main theories, followed by the discussion about the barriers companies have to surpass when going abroad and the motives and the facilitating factors related to the expansion process.

In Section 2.4 it is discussed the different factors which induce and make easier the market selection; this step is fundamental for a company looking for new markets and customers to serve. It can be seen as one of the first drivers for internationalization; in fact, choosing the right market creates more value than increasing product sales and marketing capabilities. Directly linked to this topic, in Section 2.5, it is discussed the entry modes in foreign markets; all ways to enter in a new market are useful depending on several factors. In the last part, Section 2.6, it is discussed some pertinent studies which have already faced internationalization processes.

2.1. Internationalization: definition and theories

The term ‘internationalization’ can have several meanings and definitions vary depending on the phenomenon they include. The Organisation for Economic Co-operation and Development defines internationalization as a process where companies become active in more than one country (OECD, 2007).

The internationalisation process theory is relevant for international business history research because it is a dynamic theory. It offers an explanation of foreign market entries and foreign market expansion (Amdam, 2009).

Following this, internationalization can be seen as a dynamic process when firms became involved in international business in different ways starting from exporting, ending to setting up a 100% owned subsidiary (Amdam, 2009).

We are going to present the international theories that are more suitable for explaining the internationalization of the SMEs. They are: the Stages theory (also known as Uppsala Internationalization Model or U model), the Networks theory and the International entrepreneurship approach.

Johanson and Vahlne (1977), the founders of the Stages theory, describe internationalization of companies as a sequential process when increasing market commitment. They seek to explain internationalization as a process from the point of the behaviour of companies, not according to the effective allocation of resources in foreign countries. In the model, the market commitment is managed through stepwise increases in the firm's experiential knowledge and network relationships (Johanson and Vahlne, 1977, 2009) determining that the most accurate is the knowledge about the market, the more prestige gain the other resources, and the stronger is the dedication to the market.

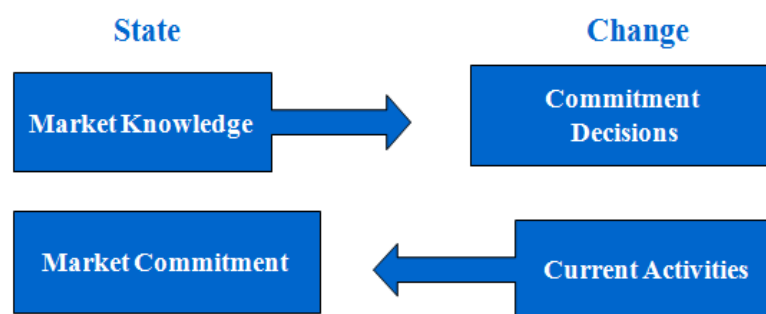


Figure 1 The Internationalization process of the enterprise (Johanson and Vahlne, 1977)

In Figure 1 it is represented a dynamic view of the previous concept. In fact the outcome of one decision can be seen as the input of the next one. As the figure shows, the main distinction is made between the “state” aspects and the “change” ones. The state aspects are resources committed to foreign markets – *Market commitment* – and knowledge possessed by the firm about foreign markets – *Market knowledge*. The change aspects, considered in the model, are the *Current Activities* and *Current decisions* to commit resources to foreign operations (Johanson and Vahlne, 1977). *Market knowledge* and *Market Commitment* are assumed to affect both *Commitment decisions* and the way *Current activities* are performed. These in turn change knowledge and commitment (Aharoni, 1966).

Once the firm knows about the market, it can decide the way the firm will entrust to that market and, consequently, be able to project and define the current activities needed to complete the cycle by committing to the market (Johanson and Vahlne, 1977). Supporting this, it is noted that starting from this perspective, during the sequential process, companies tend to expand initially into countries “mentally”

close from the source country and, depending on the next acquisition of know-how and the experience in foreign markets, continue to progress to more distant markets (Johanson and Vahlne, 1977, 2009). The Uppsala theory focuses on the knowledge that the company holds on external markets, increasing commitment and resource allocation throughout the internationalization, acquisition and integration (Moen and Servais, 2002).

Another internationalization theory is the Networks Approach. Network theorists see firm's internationalization as a natural development from network relationships with foreign individuals and firms (Johanson and Mattsson, 1988). Relationships are based on mutual trust, knowledge and commitment towards each other. Johanson and Mattsson (1988) argue that as firms internationalize, the relationships amount and strength brought up in the network increases, helping their international extension. By using trust and increasing commitment in foreign networks, the firm will be able to penetrate easier the foreign market. After having some dissemination, firms can gain international integration by using the network and getting involved with other firms in various countries.

A firm requires resources that are controlled by other firms, which can be obtained depending on their position in the network (Johanson and Mattsson, 1988). Johanson and Mattsson (1988) have identified four categories of firms: the early starter, the lonely international, the late starter and the international among others (Figure 2).

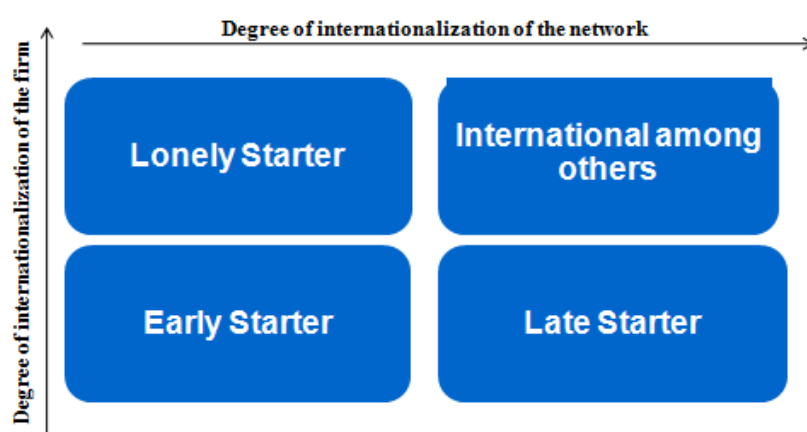


Figure 2 The network approach of Internationalization (Johanson and Mattsson, 1988)

The early starter is the firm that has only few relationships in the foreign market. They tend to have little knowledge about foreign market and have modest chance to acquire it in their home base country. In order to have knowledge, this kind of firms makes use of agents to enter the foreign market. By using the agent's experience, the firm will obtain knowledge. The second category, the lonely starter, is a firm which has gained international experience of its own; the firm itself is highly internationalized, but the market is domestically oriented. This type of company should establish new relationships in new markets or penetrate deeper into the present ones. The late starter, other category defined by Johanson and Mattsson (1988), acts in the field which has already internationalized and competitors and other actors have established relationships to foreign partners. This type of company has to attempt entering into more distant markets. The last category refers to the international among the others. Those firms are highly internationalized in the market where all the other actors have internationalized as well. To improve and succeed, these firms need to coordinate the activities in different markets by creating new and bigger networks. The bigger and deeper is the network the more valuable will be the firm's competitive advantage.

The third internationalization theory is the International entrepreneurship theory (IET). The International entrepreneurship is the study of cross-border entrepreneurial behaviour which focuses on how actors discover, enact, analyse and exploit opportunities in the creation of new goods or services (Oviatt and McDougall, 2005). The authors embraced a deeper concept of entrepreneurship, defining it as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (Oviatt and McDougall, 2005). Discovery refers to finding new innovative opportunities. Enactment denotes proactively exchange opportunities into use, acquiring a competitive advantage. Evaluation is required to translate the actions taken into developing experience and knowledge while exploitation reflects the future development of the opportunities mentioned before. According to the IET, the key to internationalization nowadays is the entrepreneur (Oviatt and McDougall, 2005). The entrepreneur is the one that have the skills and the information necessary to measure the opportunities in the market with ability to create and make stable relationships with other firms, suppliers, customers, government and media. The entrepreneur can be the one that has

experiential and objective knowledge. Since he is a risk seeker, he is also able to commit the resources in an efficient way to achieve competitive advantage. In the Entrepreneurship theory, the entrepreneur needs to seek opportunities and to be an internationally experienced person in order to exploit the opportunities he will be able to see in the market and be able to commit to it through entrepreneurial activities that would be translated as entrepreneurial services. In other words, the network of the entrepreneur will facilitate the acquisition of resources and competences in terms of team formation, funding, information and partnership opportunities (Lin, 2010).

2.2 Internationalization barriers

Barriers for internationalization can influence company's positive or negative decision on penetrating into overseas markets (Tatoglu *et al.*, 2003).

When entering foreign markets, companies, in particular SMEs, may encounter many barriers. According to several studies, there is a connection between barriers' perception and firm's exporting activity (Arteaga-Ortiz and Fernández-Ortiz, 2010). They investigated the literature, especially on the export barrier side, and found that previous authors define as barriers only the external factors.

Leonidou (1995), which had given lot of support in this topic, argues that export barriers can be seen as "attitudinal, structural, operative or other constraints that hinder or inhibit companies from taking the decision to start, develop or maintain international activity" (Leonidou, 1995, p.31), thus joining both external as well as internal factors within the definition aim .

The external barriers belong to the external environment. It means they are linked with industry, market and other macroeconomic characteristics present in foreign market or the domestic one (Leonidou, 1995).

However, barriers for internationalization depend on the internal problems of firm's management, for instance, the lack of experience in international expansion side, the lack of innovativeness, the problems linked to the products' adaptation in the market, the lack of organizational and management skills as logistics, marketing, service and market knowledge among others (Hutchinson *et al.*, 2006).

Nevertheless, according to Fliess and Busquets (2006), “as a firm has more experience, it overcomes own internal barriers and becomes more concerned by barriers stemming from the external environment” (Fliess and Busquets, 2006, p.5).

Barriers can be divided into external and internal ones. It is notable that external barriers represent factors outstanding the firm as: political and legal, institutional, economic, external market conditions, geographical and cultural issues. Contrary, internal factors are linked to the factors which stand inside the firm as: organizational management barriers, financial resources and non-financial resources.

Internationalization barriers	
<i>External</i>	<i>Internal</i>
Political and legal	Organizational management skills
Institutional	Financial resources
Economic	Non-financial resources
Geographical	Lack of experience
Cultural	Market knowledge among others

Table 1 International barriers (Own elaboration, based on Hutchinson *et al.*, 2009)

According to Hutchinson *et al.* (2009), barriers to internationalization do not prevent business organization from performing the process of internationalization in foreign country. Any business organization, when internationalizes its operations, gains a huge credibility both in the domestic and international market, expanding its operations and services globally. The author argues that, consequently, the sales of the product accelerate in the domestic markets when consumers of the domestic market learn about the fact that the product is sold in an overseas market. The product or service became more desirable which appeals to the consumers all the more.

Since international operations are risky, firms tend to start their internationalisation process in a country close to the home country as defined biopsychic or cultural

distances (Johanson and Vahlne, 1977). Furthermore, as companies gain experience from such markets, they will gradually invest in more distant countries (Amdam, 2009).

2.3 Motivations and facilitating factors for internationalization

There is no universe theory explaining the process or motives of companies' internationalization. There were arguments between the researchers, because the existing theories are contradictory.

The reasons for internationalization were called differently by the authors in the literature, including "initiating and auxiliary forces" (Aharoni, 1966), "motives" (Alexander, 1995), "triggering cues" (Wiedersheim-Paul *et al.*, 1978), "facilitating factors" (Treadgold and Gibson, 1989), "stimuli" (Leonidou *et al.*, 1998), "drivers" (Winch and Bianchi, 2006), and "antecedents" (Vida and Fairhurst, 1998).

Different authors distinguish push and pull factors: push/reactive drivers generally relate to negative aspects of the domestic market, while pull/proactive drivers are linked to attractive aspects of either the retail offer or the foreign market (Evans *et al.*, 2008).

Treadgold (1988) and Kacker (1985) argue that push factors encourage companies to undertake internationalization process due to the factors present in their domestic market. The companies are forced to internationalize their activity due to the variable conditions in the domestic market (e.g., high market concentration, small markets, the absence of demand, the policy implemented by the government towards local companies). Pull factors encourage companies to undertake the internationalization process due to the factors working in both international and local market. Pull motives are related to the aim of the foreign countries to attract as many foreign direct investments as possible (Hutchinson *et al.*, 2009). For example, the emerging economies aim is to attract foreign direct investments because it helps to improve the manufacturing productivity, as well as competitiveness (Tatoglu *et al.*, 2003). According to Tatoglu *et al.* (2003) the relative importance of the internalization motives varied most with the type of operations and market entry mode.

From another point of view, according to Sekliuckiene (2013), firms can be divided into:

- intending to enlarge the market part (such companies most frequently enter into the emerging markets of average income);
- intending to decrease the operating costs (the companies striving for effectiveness most frequently enter into the emerging markets of lower income);
- seeking for essential resources of the activity (they enter into the countries, where are a lot of natural and other resources that are necessary for the company);
- seeking to acquire new technologies in order to improve the company's productivity (enter into developing countries).

However, empirical research in the 1990s suggested that push factors were not the primary incitement of the international development process. A retailer's own operations and ability to respond to international opportunities for growth were more important factors behind internationalization (Alexander 1990, 1995; Williams 1991, 1992). Alexander (1990) and Williams (1992) discussed the importance of pull/proactive factors as niche opportunities, growth prospects, market size and the originality of the retail offer.

Quinn (1999), in his study, argues that the size of the foreign markets, the stage of economic prosperity and niche opportunities were the most diffused factors driving retail internationalization.

As Burt and Mavrommatis (2006) note, "an original concept or a unique and distinctive retail product, is the source of competitive advantage for global retailers." (Burt and Mavrommatis, 2006, p. 398).

As mentioned before, focusing on the internationalization of the retail sector, a strong brand identity has a key differential advantage in the internationalization process.

According to Hutchinson *et al.* (2006), all the motives cannot be exploited in the best way without the support of some factors which can be seen as facilitators, the ones which help firm to overcome the obstacles to internationalization. The authors employ qualitative research techniques and, to build theory from an unexplored area

of research, they adopted a multiple-case approach. The findings suggested that a strong company brand identity is the most significant motive for expansion; other internal/external factors and parent-firm advantage facilitate the international decision-making process.

Other elements were classified as facilitators which provide a context for the motivation to internationalize (Hutchinson *et al.*, 2009). The facilitating factors have three fundamental sources: internal, external and parent advantage. They are the best support for the most important motive for internationalization which, according to Hutchinson *et al.* (2009), Moore *et al.* (2000) and Wigley *et al.* (2005) is the company brand identity. The authors argue that although the firm brand identity represents the crucial motive for the process, the facilitating factors are too important for the final “entrance-choice”.

The internal facilitator factors have a great importance and relevance in the internationalization choice: they determine the development of the brand identity which, in turn, facilitates the internationalization decision choice. By saying internal, we refer to a global vision and mind-set, entrepreneurial personality and the personal relationships in foreign markets. Great importance was also given to the role of the founder or decision maker. Sometimes their entrepreneurial vision and international orientation were the best support to enter in a foreign country (Bell *et al.*, 2004).

The same importance is given to the external factors. While the internal ones determine the development of the brand identity, the external ones support the decision to enter in an international market (Hutchinson *et al.*, 2009). Other authors include in this category factors as business contacts in foreign markets and government support which facilitate the international decision-making process for many firms.

It was underlined the importance of accessing information on foreign country from external organizations; those contacts can produce vital information for the strategy of the firm (Coviello *et al.*, 1998).

The last facilitating factor is important too, parent-firm advantage. According to Hutchinson *et al.* (2009), the acquired funds, the management knowledge and expertise a parent company provides, have significant relevance in the facilitating the expansion in foreign markets.

This factor is not explicit but the authors found that in many cases the change in ownership and the injection of capital provides the resources to facilitate the internationalization.

The change in management lines is not always negative for the company, it can be seen as a good advantage in all the stages of the internationalization process (Bell *et al.*, 2003).

The motives for internationalization are complex but according to Hutchinson *et al.* (2009)'s findings, they reflect the specificity of the company and the nature of its motives and facilitating factors for the expansion process. There is no success with only a real motive, facilitating factors are fundamental for the development of an overseas success.

2.4 Entry modes

A valuable and important international marketing decision is the appropriate choice of entry mode in foreign markets. Entry mode, as an institutional arrangement for organization and for conducting international business transactions (Andersen, 1993), has been viewed as of high strategic importance (Pan and Tse, 2000). This is the greater part of top managers' major decisions related to foreign market entry (Pan and Tse, 2000).

A firm seeking to perform a business function outside its domestic market must choose the best "mode of entry" for the foreign market. As we can see in Table 1 the would-be entrant faces a large array of choices, including exporting, licensing arrangements, partnering and strategic alliances, acquisitions, and establishing new, wholly owned subsidiaries, also known as greenfield ventures (Lu and Beamish, 2006). The entry mode differs greatly in their mix of advantages and drawbacks.

Entry Mode	Advantages	Disadvantages
Exporting	Fast entry, low risk	Low control, low local knowledge
Licensing and Franchising	Fast entry, low cost, low risk	Less control, licensee may become a competitor
Partnering and Strategic Alliance	Shared costs reduce investment needed, reduced risk, seen as local entity	Higher cost than exporting, licensing, or franchising; integration problems between two corporate cultures
Acquisition	Fast entry; known, established operations	High cost, integration issues with home office
Greenfield Venture (Launch of a new, wholly owned subsidiary)	Gain local market knowledge; maximum control	High cost, high risk due to unknowns, slow entry due to setup time

Table 2 International Entry modes (Livingston et al., 2014)

Given that it is the simply sale of product or services in external countries, sourced from the local market, exporting is the typical entry firms adopt to begin their international expansion. That simplicity needs to be balanced with the right choice of product's distribution in the target market, normal distributors or local agreements. By choosing licensing or franchising firms decrease costs and consequently risks but, on the other hand, they lose the own production control in favour of target market's companies. Another way to penetrate in overseas markets is through partnerships or strategic alliances, a cooperation with another or more companies due to achieve the same purpose, sell products in the target market. Through this type of entry a firm can get a better market knowledge and brand image if the partner has a good reputation in the place. As for licensing and franchising it means a decrease of control (Lu and Beamish, 2006). Acquisition means acquire the control of another entity by purchasing its stock. This way has increased a lot in the last years because it is a faster way to get the control in a new country (Sudarsanam, 2010). The weak point of this entry is that acquisitions are highly expensive. Given the establishing costs in a new market place, greenfield venture is the riskier way. This international entry mode involves the establishment of a new, wholly owned subsidiary. To use this mode of entry the company should already have a good market knowledge and expertise.

Despite the existence of relevant evidence, the literature does not suggest how the manager should weigh trade-offs to arrive at a choice that maximizes risk-adjusted return on investment (Anderson and Gatignon, 1986).

It's important to underline that equity-based and non-equity-based are two distinct categories. Unlike non-equity-based where relations with partners can be fixed and specified in the contract (Pan and Tse, 2000), the equity-based mode requires a greater commitment of resources in the new market (Anderson and Gatignon, 1986).

When deciding on this entry mode, a company should take into account several factors, such as the risk investment and the return, the location choice, the environment adaptation and the operation control (Pan and Tse, 2000).

2.5 Market selection

Country selection is an important component of the firm's internationalization efforts because of the impracticability of attempting entry into all the 192 nation states (Alon, 2004). Furthermore, not all countries have the same market potential. Companies, therefore, need to carefully choose where to expend their efforts and limited resources (Alon, 2004).

There are serious limitations in the current models for market due to the lack of resources the majority of the companies' needs (Alon, 2004). Those critical resources include capital, management attention, experienced personnel, international business skills, and know-how about foreign markets.

According to Brewer (2001), who has studied a model based on Australian companies, two criteria are defined. The first one is used to map the market selection process by identifying four steps:

- **Step 1.** Establish a country market set;
- **Step 2.** Identify a country;
- **Step 3.** Evaluate the country;
- **Step 4.** Select market.

In the first stage, companies need to collect the data related to the business sectors of many countries. The data is usually linked to growth, sales and competitors' scenario (Brewer, 2001). Then it is important, for the firm, to analyse trends which can influence the product. In the third phase, possible barriers should be analysed and earlier conclusions start to appear. After a simulation of futures scenarios the market selection will be easier.

None of the steps above is relevant without the informant decisions. By using the second criteria Brewer (2001) had individuated them. Those informants decisions are called "Informants".

Those variables help firms to make judgments about the criteria used for the country selection. The major informants identified by the author are the follows: allies, enquiries, exhibitions, experience, government programs, networks, previous customers, primary research, published reports, quantitative models, seminars, representatives and visits to market (Brewer, 2001).

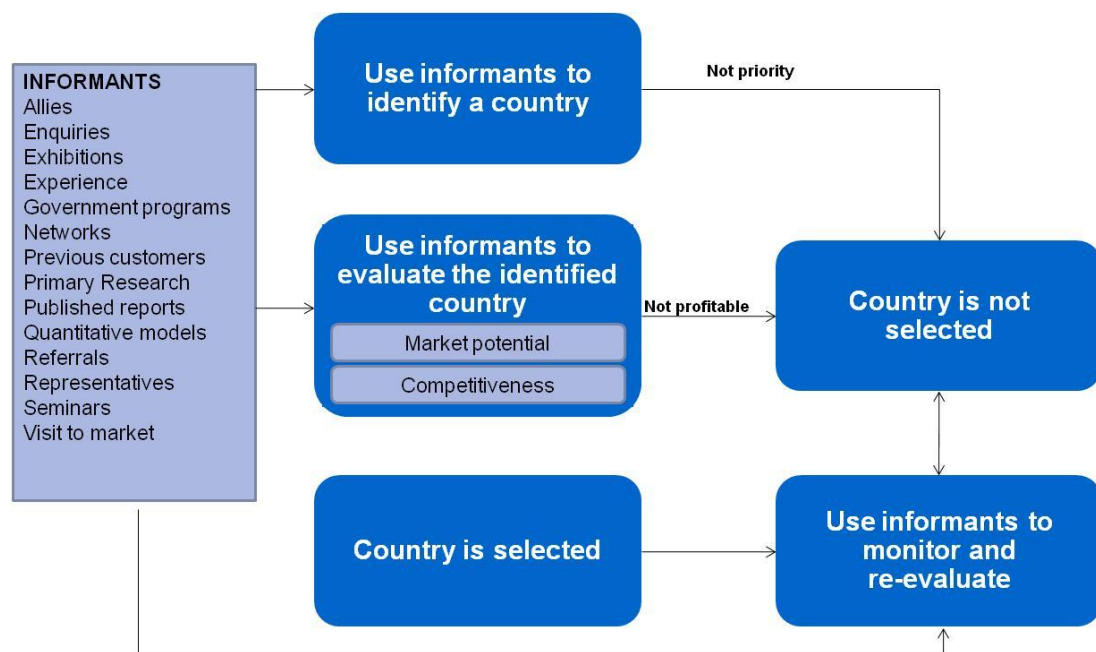


Figure 3 The market country selection mode (Brewer, 2001)

As notable in Figure 3, by using this model the author found that many companies choose the country basing its choice on the importance and relevance of the informants.

2.6 Similar studies

Considering the big amount of studies related to the internationalization, we decided to analyse only those ones having similarities to the case study's research questions. The selected similar studies tried to explain which are the best ways to internationalize for companies, especially for Small and Medium Enterprises.

The Table 2 presents the studies considered and summarizes the main findings and other aspects of the studies.

Author	Purpose of the Study	Main Findings	Country/ Sector
Hutchinson <i>et al.</i> (2009)	Define the most relevant motives driving internationalization and the factors that help to overcome the related obstacles.	A Strong Brand Identity is the most significant motive for expansion, other internal and external factors facilitate international decision making process	United Kingdom/ Retail
Evans <i>et al.</i> (2008)	Consider whether the drivers of , and impediments to, retail internationalization and the business strategy adopted	The most dominant motivator is profit growth; in terms of impediments, domestic market conditions were a barrier to expansion	UK and US/ Retail
Gulsoy <i>et al.</i> (2012)	Explains why and which results companies, in emerging markets, expand internationally.	International expansion can improve the firm trend against domestic market's fluctuation, giving an opportunity of growth.	Turkey/ Electro domestics
Anand (2013)	Explains different paths for internationalization for SMEs	Uppsala and Network theories were the most appropriated strategies for SMEs.	Japan/Food industry

Table 3 Summary of similar studies (Own elaboration)

These works tried to describe strategies of internationalization of companies in different countries, starting from United Kingdom and US to Turkey and Japan; three continents were touched. Apart retail sector (Hutchinson *et al.*, 2009; Evans *et al.*, 2008), which is related to the present study, different sectors were involves, the electro domestic one (Gulsoy *et al.*, 2012) and food industry, too (Anand, 2013).

Through these studies and the literature review it was possible to better understand the complexity of the internationalization process.

Next, methodology of this study will be discussed before the immersion in Parfois' universe.

3. Methodology

This chapter introduces the methodology which is going to support this work. Given the explanatory nature of the research question - "Which are the motives and facilitators factors of Internationalization?"- the most appropriate methods to develop is, according to Yin (2014), the case study, history or experimentation. According to the typology's question that we want to answer, the contemporary and real part of the phenomenon under investigation and the investigator irrelevance on the events the methodology selected was the case study (Yin, 2014).

3.1 Case study

A case study is a research which aims to answer to a question, as "how?" or "why?", related to a set of events on which the researcher can exercise little or no control (Yin, 1994).

It can include data from direct observation, interviews, systematic public and private archives. Every relevant fact to understand the events' flow, which relates to those phenomena, constitutes a potential information in a case study, because the context is important (Leonard-Barton, 1990).

The aims of the case study can be also seen as a triple value (Eisenhardt, 1989; Yin, 1994). The first value is description (descriptive), then the theories' generation (exploratory) which includes two types of theories, the "Generalizables" and the Grounded ones (Strauss, 1987). The third one is the test of hypotheses (explanatory).

In the case of Parfois' Internationalization into Spain, this work will approach the theme with the first value described by Eisenhardt (1989) and Yin (2014), the descriptive one.

As we can see in Figure 4, according to Yin (2014), the case study methodology can be mapped in four main phases.

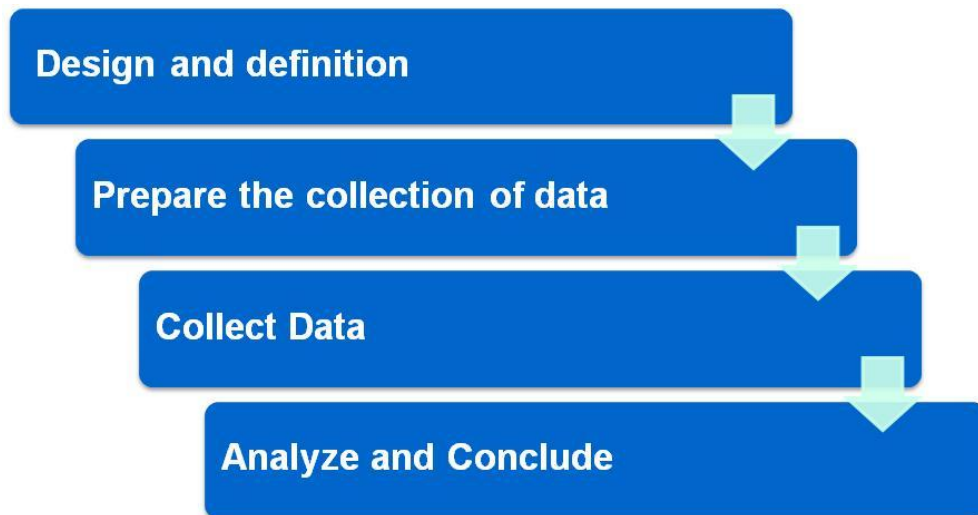


Figure 4 Case Study process (Yin, 2014)

The design stage is focused on the definition of the analysis unit by identifying issues, the type of case study design and improving all procedures in order to guarantee quality of the case study (Yin, 2014). In other words, in this phase, the researcher can link the research questions to the conclusions of the study. The second stage, preparation for collecting data, is focused on the development of skills that case study investigators need: training for a specific case study, development of a protocol and the conduction of a pilot case (Yin, 2014). In this stage it is also important the identification of relevant issues related to the design phase, in order to revise and rectify them before starting with the next phase, data collection.

A big difference between surveys and case studies is that the first ones capture perceptions and attitudes about event and behaviours, instead of collecting the evidence, directly, as it happens in case studies (Yin, 2014). Additionally, in case studies, data is analysed as it become available, and the consequently findings are valuable for the next analysis on the next data collection activity (Dooley, 2002).

Relevant data can be collected through documents, archives, interviews, physical artefacts and direct observation (Yin, 1994).

The last stage, analysis, displays data (facts) apart from interpretation (Yin, 2014). All the evidences obtained during the previous stage are stored in the database. Analysing case study data with data collection at the same time, permits the investigators to adjust possible issues of the case study design (General Accounting Office, 1990).

In other words, in the context of case studies, “data analysis consists of examining, categorising, tabulating and testing or otherwise recombine evidence to draw empirically based conclusions” (Yin, 2014, p. 126).

Researchers should remain open to revising their theoretical concepts based on the findings they achieved.

3.2 The case study: Parfois characterization

Parfois S.A. is a women’s fashion accessories company which is recognized in the marketplace by the brand with the same name. It was founded in 1994 in Oporto. The main focus of the company is related to fashion and following of fashion trends. The brand’s vision is to be the best fashion accessories brand, wherever Parfois decides to operate.

The first shop was opened in Oporto, in Santa Catarina street. The firm then started to open more stores all over Portugal especially in shopping centres following the commercial trend in Portugal during 1990’s. Due to the commercial centre’s strategy and the fast expansion, Parfois was a pioneer in the accessories market considering the offer of that sector was limited. The firm can count on two designer teams, placed in Oporto and Barcelona.

Good relation quality/price, clear visual merchandising, excellent customer service and the capability to introduce novelties in the stores every single week allows Parfois to open many stores all over the world, in 52 countries. The first expansion was made in Spain which has been, recently, the first source of incomes for the company. Also for this reason we think that the development of this work can be an interesting source for following readers.

Parfois has been chosen as target company also because of its success in the competitive market. Because of its business model and its policies Parfois had not suffered the Portuguese crisis as much as it happened for many companies.

Parfois’ revenues had grown from 20,8 million Euros in 2003 to over 79 million Euros, representing a 260% of revenues increase and a more than 1000% profit

increase in the last 10 years of activities. The profit margin had increased also, from 2% to 12% over 10 years (Sabi, 2014).

Apart the previous motives, the development of the study was possible due to the Internship Program offered by Parfois. The function assumed within the company was a Product Manager, which gave to the opportunity to feel inside the firm and very close to Parfois' politics of expansion.

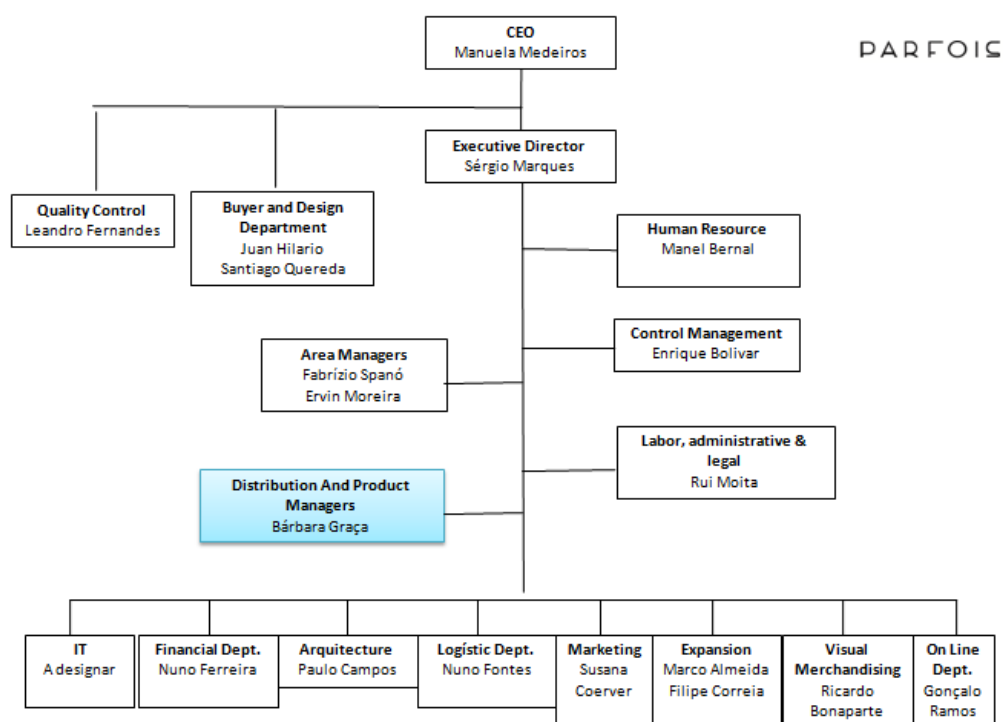


Figure 5 Parfois' organization chart (Own elaboration, based on Parfois' data)

As we can see in Figure 5, the Product Manager is involved in the Commercial department together with the Stock and Area Managers department. All together we manage the relationships with our Partners in terms of distribution of goods, constant exchange of feedbacks due to control and manage inventories and sales in the market. Thank to the Area Managers the teams involved in our stores are always supervised in order to improve operationally.

The Buyer and Design department are responsible together with the Quality department for the production of all references present in all Parfois stores.

Control Management has a key role within the company by supporting the Commercial department to go deeper in all situations by facilitating the work in terms of analysis' support and data interpretation.

Architecture and Marketing departments are important also considering the image that Parfois had developed during its life cycle.

Together with the Area Manager we have analysed and interpreted the Internationalization into Spain through sales, inventories, general and specifics growth of each product category. The analysis of the customer needs, customer segmentation and behaviours was also important for the composition of this study.

The International Product Manager Trainee had a duration of 5 months in which it was possible to give some personal contribution. Although the theme proposed to Faculty of Economics, University of Porto by Parfois was related to the internationalization in Spain the internship has included much more activities and tasks apart the topic developed in this study.

3.3 Data Collection

The overall aim of this study is to explore the reasons of the companies which decide to internationalize and how this process has been assisted by the presence of facilitating factors. The questions we want specifically to answer with this internship are:

“ What are the Motives that stimulate Parfois' Internationalization to Spain?

How the Facilitating factors support Parfois' decisions to internationalize? ”

Being this work focused on finding the answer to the question above, a qualitative approach was used as mentioned in the previous sections. Specifically, face-to-face interview (with senior personnel responsible the international process) with pre-defined open questions (the interview guide is presented in Appendix A) was conducted in order to gather deeply all the necessary information. The interview occurred on date 20th of May.

The face-to-face interview was held with the Responsible for the Parfois Commercial department. Apart the support given to concretely answer to the research question, the interview was helpful in order to understand the motivations, the international strategies and the consolidated culture in Parfois.

To increase the quality and veracity of the information needed for the analysis a questionnaire survey (included in Appendix B) was addressed during the same interview next to the pre-defined questions.

The questionnaire was structured by focusing on the guidelines of this work:

- Motives for internationalization;
- Market selection;
- Facilitating factors.

The numerical data necessary for analysing, structuring and defining questions and questionnaire were collected directly in the company's database and were confirmed during the interview.

Being open-ended, the interview allows to the Commercial responsible to describe what is important and meaningful in its company without being limited (Pre-defined open question). Then, a questionnaire has been proposed in order to frame and link the specific findings with the literature.

4. Data Analysis and Results

In this chapter, the results of the data gathering are presented and discussed. Section 4.1 describes how Parfois conducted its expansion into Spain and how much the country is weighting nowadays. Then, in Section 4.2 the results of the predefined open-question interview and the questionnaire have been reported respectively. In section 4.3 the results have been joined and a framework has been drawn in order to contextualize which Motives and Facilitating factors have pushed Parfois into internationalization in Spain.

4.1 The expansion into Spain

Thanks to the Commercial Responsible it was possible to rebuild Parfois' history into Spain.

The first move in the international expansion made by Parfois was the natural expansion to the neighbour's land, Spain. This is the typical choice of those companies which tends to expand in markets with a higher proximity in terms of culture and physic distance (Quinn, 1999).

The first entrance in Spain happened in 2000. At that time, Parfois took advantage of the entrance in the Spanish commercial centres market made by Sonae, a very important and known Portuguese holding group. That choice, expanding through a strategic Partnership, could have been very profitable and convenient in terms of costs sharing together with the support of the Partner's reputation as we have seen previously in Livingston *et al.* (2014). The Sonae Group had a strong credibility and reputation in Portugal but Parfois did not consider other important key points. Firstly, the entry mode, a Partnership, did not permit a fully control of the business as it could happen through an independent entry (Lu and Beamish, 2006). Apart this last consideration, during this first entry Parfois did not consider that Spain is not simply a territorial extension of Portugal. Despite being neighbours, Spain differs in terms of purchasing power, reaction to fashion trends, market dimension and type of trade. It is in this last difference that Parfois got in troubles; in Spain the predominant trade is the street market, the opposite of what the Partnership with Sonae was representing.

For all reasons we have mentioned until now, the first Parfois's entrance in the Spanish market was unsuccessful.

According to the commercial Director, in a second moment and without the obligation to take advantage of a Partnership to expand (Tatoglu *et al.*, 2003), Parfois was much more rigorous during the preparation of the second entry in the Spanish market (interview, 2015).

In accordance with Brewer (2001), after i) having matured a direct experience through the first entry, ii) having built a network of relations within the market and iii) having continuously visited the same market, for Parfois was easier to penetrate Spain successfully. In the literature review these factors have been identified as *Informants* by Brewer (2001).

Over the years the Spanish market answered extremely well to the bets placed by Parfois. Nowadays Parfois is present in the market with more than 150 stores in the most important trade streets of Spain. Depending on the entry mode, shops can be classified in i) own stores, ii) consigned stores, iii) franchisee and corners through a Partnership with El Corte Ingles, which is, contrary to Sonae, extremely recognized in Spain. Currently, for Parfois, this market is the main one in terms of revenues: it represents 33% of Parfois' revenues, followed by Portugal, with 24% (Sabi, 2014).

To better describe what happened in Spain, the analysis had to be deeper in order to observe the year-by-year evolution in terms of geography, products' categories and revenues. Unfortunately the data just mentioned was not available for further considerations.

4.2 Findings

By asking what was the reason which led to the decision to expand in Spain the answer was clear: "Financial availability generated by the success made in the Portuguese market by Parfois" (interview, 2015). According to Hutchinson *et al.* (2009) the injection of capitals or capitals' availability push companies to expand; it was the case of Parfois. Contrary to Hutchinson *et al.* (2009) who have considered high liquidity capital as a Facilitator, in this case it has been considered as the real motive for internationalization.

Having identified the real motive that influenced the decision to enter into the Spanish market, the reasons that suggested the choice of Spain as target market have been clarified. As analysed in the literature review, firms tend to start their internationalisation process in a country close to the home country as defined biopsychic or cultural distances (Johanson and Vahlne, 1977) and Parfois was not an exception.

The reasons for the market selection were also identified, by the commercial Director, as Facilitating factor that have supported the decision of expanding in Spain, namely geographical proximity and language similarities.

An aspect not mentioned before was also identified: the return Parfois could have obtained from Spain was greater than other countries of the European Union. It can be translated into lower costs that Spain could guarantee in terms of rents, shippings, employees' salaries, among other costs.

At Parfois, the responsibility of those decisions has always been assigned to the Board of Directors which, through the past experiences, a global vision and entrepreneurial personality had concretely continued the expansion of Parfois. This would be in accordance with Hutchinson *et al.* (2009) who underlined the importance of those aspects in the management behaviours in companies ready to expand its market shares outside.

After the second data collection through a questionnaire it was possible to gather more data. As we can see in Appendix B, by asking specifically what were the motives of expansion in Spain, the commercial Director after having evaluated all the available answers opted to set as most important i) the fact of not being dependent on a single market, ii) the opportunity to expand the market share of Parfois internationally and iii) the high concentration already present in the domestic market (Treadgold, 1988). Medium importance was attributed as well to the possibility to enjoy niche opportunities in the Spanish market (Alexander, 1990 and Williams, 1992) and the problems associated to the restricted policies the government had used because of the financial crisis that invested Portugal.

Again in Appendix B is possible to perceive what have been the factors that have mostly supported the Board of Directors in choosing Spain as a target market. High importance was assigned to last experience, the first - negative - entry in the Spanish

market through the partnership with Sonae group. This experience, together with the previous customer knowledge, was extremely relevant in the market selection. The second alliance with El Corte Ingles was also underlined by the commercial Director. El Corte Ingles, contrary to Sonae Group, had already owned a brand recognition in the Spanish market; this enabled greater ease for Parfois to be accepted in a mature and high demanding market such as the Spanish one. Even more importance was assigned to the networks that Parfois was able to create in Spain. Through business contacts the company was able to get the necessary information in order to study the local trade, customers' segmentations, and mostly the other fashion retail competitors already present in the market in order to forecast what positioning Parfois was going to take up.

In contrast with the first two questions of the questionnaire, by asking 'what were the main factors that facilitated the expansion in Spain', high relevance was assigned to all options except government support that was not present at the time.

In addition to global vision, mind-set and entrepreneur personality (Bell *et al.*, 2004) already mentioned before, high importance have been assigned to the personal relationships in foreign market and business contacts within the market in accord to the importance we have given to the networks before.

Those last factors were fundamentals by allowing Parfois to obtain all the necessary information to secure and minimize possible surprises in terms of economic return. Thank to those business contacts, Parfois was able to predict which were going to be, approximately, the expected sales in the market by knowing the revenues of other fashion retail operator, as Zara, in accord with Coviello *et al.* (1998).

Once again was given great relevance to the financial resources available in that period which were previously identified as the main reason for the expansion in Spain.

4.3 Discussion and recommendations

After having reported the results obtained through the interview and the questionnaire it was possible to come up with some considerations.

Firstly we must define that Parfois, represented by the commercial Director, since the open questions were presented (without any type of choice) she has not minimally considered the construction of a company brand identity as the main reason for expanding internationally (Hutchinson *et al.*, 2006).

All the attention and relevance was assigned to financial availability that allowed Parfois to identify this condition as the real reason for their expansion into Spain (Figure 6). According to Hutchinson *et al.* (2006) this would be classified as a facilitator.

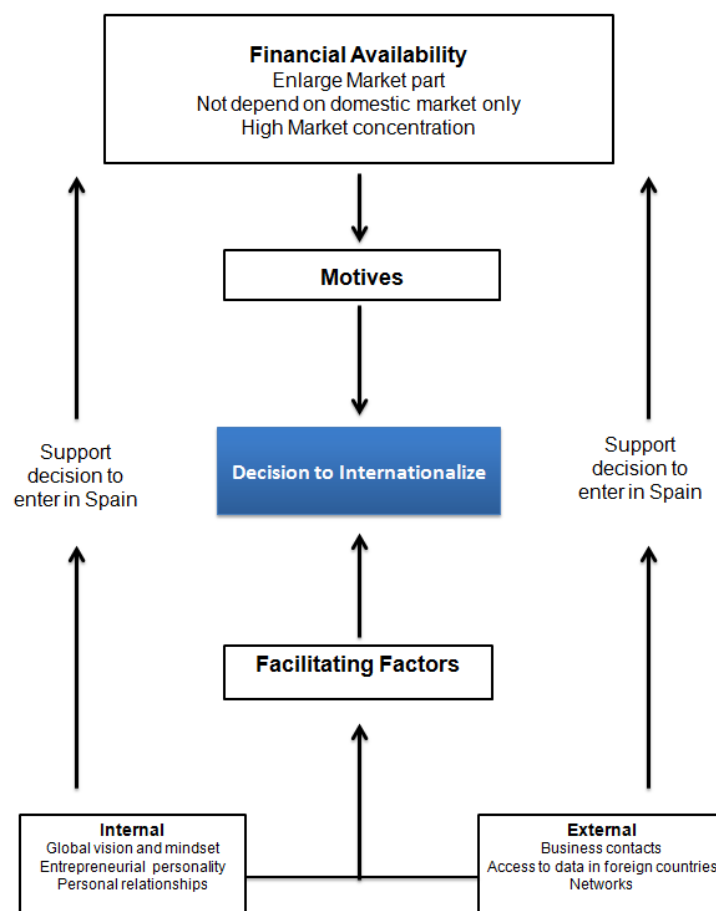


Figure 6 Parfois' decision to internationalize in Spain

As we can see in Figure 6, financial availability has been accompanied by more three motives that have been recognized as “most relevant” by the commercial Director only after we have presented the options in accord with the literature review in the second data collection (the questionnaire).

The desire to expand the business was, in fact, included in internationalization motives framing Parfois in the category of companies that decide to internationalize to enlarge market share. This is in accordance with Sekliuckiene (2013).

In the same figure, we can understand that the decision of internationalizing into Spain wasn't taken only considering the reasons mentioned above, but also other fundamental factors.

In accordance with Hutchinson *et al.* (2006) all the motives cannot be exploited in the best way without the support of some factors which can be seen as facilitators, the ones which help firm to overcome the obstacles to internationalization. In our case, as we can see in Figure 6, those factors were classified into internal and external.

In the first group the ones that achieves high relevance were i) global vision ii) mind-set and iii) entrepreneur personality of the management and Board of Directors (Bell *et al.*, 2004). They were seen as facilitators in the decision to internationalize.

In spite of the internal facilitators are taking into account, they hadn't the same importance of the external ones. After collecting data, the commercial Director always attributed biggest importance to the business contacts and the information that they achieved using the implanted network on the market in accord to Coviello *et al.* (1998).

The findings we have presented emphasize the fact that not only the financial availability was necessary to decide to expand into Spain. The facilitating factors were determinant too.

Thanks to the commercial Director, it was also possible to define that those facilitator factors were not only supporting the motivating ones but they also could be seen alone as key drivers for Internationalization, when referring to Business contacts and Networks.

The only critics are related to the lack of importance given to so by the Commercial Director to specific factors. Actually brand identity and competitive advantage were

never mentioned in the interview. Being deeply related to the product and determinant for the choice to expand into any country they should have been taken into consideration.

Although the Commercial Director hadn't mentioned them, the experience in Parfois allowed me to understand that brand identity and competitive advantage are very important and present in each operation developed in the company. The management, as well as every single professional in Parfois, is clearly aware that success in internationalizations derives from the fact that the product is capable of matching characteristics such as fashion, novelties, trend, and last but not least, low cost, being in this way aligned to a clear brand identity which gives to the company a competitive advantage in the marketplace.

These last considerations can be identified as one of the reasons that made Parfois expand to Spain.

5. Conclusion

This work aims to observe and describes some aspects related to the Internationalization process, specifically the motives and factors which have pushed and facilitated the expansion of a company into other markets.

The study was developed at Parfois S.A. which has provided to me an internship as Product Manager. This internship was beneficent not only for the student but also for the other two parts involved, Parfois and the University of Porto.

Although the internship lasted five months, the time allocated to the study of the internationalization into Spain made by Parfois was limited. In fact the function of Product Manager has been focused on more analytical aspects related to inventories and sales evolution which are developed once the internationalization has already succeeded.

To develop this work the concepts related to internationalization were analysed within the literature review, specifically the concepts related to market selection choice, the barriers and the mode of entry into a new country.

The methodology chosen for this work was the case study, following the different stages proposed by Yin (2014) considering that apart the direct observation at Parfois, an interview and a questionnaire were included in the methodology.

The financial availability has been identified as the key driver for internationalization. Business contacts, networks and the internal global vision and mind-set of the management have facilitated the decision to expand in Spain.

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Appendix A

1	<i>What were the motives under the decision of expanding to Spain? If more than one what was the most important one? Why?</i>
2	<i>Why did you choose the Spanish market? How did you get to this decision?</i>
3	<i>Which departments were involved in the decision making process?</i>
4	<i>What were the main factors that facilitated the expansion to Spain?</i>
5	<i>Were those facilitators' factors important for the internationalization success?</i>
6	<i>Which was the entry type chosen for this market? Why? Did it have a good\bad impact?</i>

Appendix B

1. What were the motives under the decision of expanding in Spain?		Answer		
		Not Relevant	Relevant	Most Relevant
a	<i>High Market Concentration</i>			X
b	<i>Not being depending just on domestic market</i>			X
c	<i>Absence of demand</i>	X		
d	<i>Government issues</i>		X	
e	<i>Brand identity</i>	-	-	-
f	<i>Take advantage of emerging markets</i>	-	-	-
g	<i>Enlarge Market part</i>			X
h	<i>Seeking for essential resources</i>	X		
i	<i>Niche opportunities</i>		X	

2. Which factors affect Parfois' decision in selecting Spain?		Answer		
		Not Relevant	Relevant	Most Relevant
a	<i>Allies</i>			X
b	<i>Experience</i>			X
c	<i>Governments programs</i>	X		
d	<i>Networks</i>			X
e	<i>Previous Customers</i>		X	
f	<i>Primary Research</i>	X		
g	<i>Quantitative Methods</i>	X		

3. What were the factors that have facilitated the expansion in Spain?		Answer		
		Not Relevant	Relevant	Most Relevant
a	<i>Global vision and mind set</i>			X
b	<i>Entrepreneurial personality</i>			X
c	<i>Personal relationship in foreign markets</i>			X
d	<i>Business contacts</i>			X
e	<i>Government support</i>	X		
f	<i>Access to information in a foreign country</i>			X
g	<i>Acquired funds</i>	-	-	-
h	<i>Management knowledge and expertise</i>		X	
i	<i>Change in ownership</i>	-	-	-
k	<i>Injections of capitals</i>			X